

SOUTH CENTRAL SCHOOL DISTRICT No. 406
King County, Washington
September 1, 1994 Through August 31, 1995

Schedule Of Findings

1. District Officials Should Improve Associated Student Body Imprest Checking Account Internal Control Procedures

Our audit of the Associated Student Body (ASB) imprest checking account revealed weaknesses in internal control procedures at Showalter Middle School. Specifically:

- a. Middle school officials have not replenished the ASB imprest account since June 1995.
- b. Middle school officials have not properly reconciled the ASB imprest account to bank statements for over a year.
- c. The middle school office manager is responsible for incompatible duties which include issuing and signing checks, reconciling the check register to the bank records, and requesting replenishment of the imprest checking account.
- d. A deposit was not recorded in the check register and the check register is not being updated with each disbursement transaction recorded.

Washington Administrative Code (WAC) 392-138-055 Imprest bank checking account (4) states in part:

An imprest bank checking account shall be replenished at least once each month by a warrant drawn on the associated student body program fund in payment of an approved voucher in an amount equal to the sum total of the disbursements made by check from the imprest bank checking account during the preceding interval.

In addition, Chapter III, Section G-4 of the *Accounting Manual for School Districts* states, in part:

All imprest bank accounts . . . must be reconciled to the authorized maximum amount at least monthly.

Chapter III, Section G-1 of the *Accounting Manual for School Districts* identifies standards for internal control. Excerpts from this manual include:

Transactions and other significant events are to be promptly recorded and properly classified. Prompt recording ensures that pertinent information maintains its relevance and value to management in controlling operations and making decisions.

Key duties and responsibilities in authorizing, processing, recording, and

reviewing transactions should be separated among individuals.

These weaknesses resulted from staffing problems and a lack of training on how the imprest account operates. The district has subsequently been training personnel on imprest accounts.

These weaknesses could allow errors or irregularities to occur which might not be detected in a timely manner during the normal course of business. However, we noted no such situations during our audit.

We recommend district and school officials implement proper internal control procedures to ensure Showalter's ASB imprest account is reconciled and replenished to its authorized amount in a timely manner.

We further recommend duties be segregated between the issuing of checks, reconciling of records, and replenishing of funds in this account.

2. District Officials Should Not Participate In Transactions Where A Conflict Of Interest Appears To Exist

The director of Education Support and Human Services provides consulting services with an outside consulting group called Consultants for Education/Institute of Creative Development. In May 1994, she initiated a purchase order for Consultants for Education/Institute of Creative Development to put on a workshop for the district, and in November 1994, she approved another purchase order for the district to purchase a membership to Consultants for Education. Additionally, while reviewing her cellular phones bills, we noted 30 percent of her calls were made to five other people who are involved in providing these outside consulting services.

RCW 42.23.030 states in part:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part

RCW 42.23.040 states in part:

A municipal officer shall not be deemed to be interested in a contract, within the meaning of RCW 42.23.030, if he has only a remote interest in the contract and if the fact and extent of such interest is disclosed to the governing body of the municipality of which he is an officer and noted in the official minutes or similar records of the municipality prior to the formation of the contract

In a discussion with the director of Education Support and Human Services, she indicated a committee made the decision to hire the outside consulting group. However, her signature appears on the legal documents. Additionally, there is no evidence her interest in this contract was disclosed to the school board in the official minutes as required by RCW 42.23.040. Furthermore, based upon discussions with school district officials, we could not identify any direct benefit to the district derived from the membership.

During the audit period, the district's cellular phone policy allowed for personal phone calls, but employees were required to reimburse the district each month. We reviewed the director of Education Support and Human Services' cell phone bills noting calls to other members of the consulting group. When asked, the director indicated these calls were personal in nature and she had reimbursed the district for these calls. However, we noted no indication on the bill of this nor were we able to locate records at the district indicating these specific calls had been reimbursed prior to the audit. District officials subsequently rewrote their cellular phone policy and personal phone calls are now prohibited.

The effect of these issues provides the appearance of a conflict of interest, as well as misuse of municipal resources.

We recommend district officials implement and monitor their newly developed conflict of interest policy.

We further recommend the director of Education Support and Human Services reimburse the district for personal calls made to the individuals she is associated with in her outside consulting group.